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**United Nations Relief and Works Agency for Palestine Refugees in the Near East**

# Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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*Summary*

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East provides a description of the activities of the Group in 2016 and a detailed outline of the current financial situation of the Agency. The Working Group unanimously adopted the report at its meeting on 22 August 2016. As in previous reports of the Group, the present report closes with concluding remarks addressed to all Member States.

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# I. Introduction

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established under General Assembly resolution 302 (IV), and its mandate was most recently renewed by the Assembly in its resolution 68/76.

2. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East was established by the General Assembly under resolution 2656 (XXV) to study all aspects of the financing of the Agency.

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. It is currently chaired by the Permanent Representative of Turkey, Y. Halit Çevik.

4. At its twenty-fifth session and all sessions that have followed, the General Assembly has considered the reports submitted to it by the Working Group (in 2015, A/70/379) and adopted resolutions relating to UNRWA and the Working Group, taking note with appreciation of the efforts of the Working Group (resolution 70/85).

# II. Activities of the Working Group

5. At the first regular session of the Working Group, on 30 June 2016, the Group prepared the present report and was chaired by First Counsellor Makbule Başak Yalçın of Turkey. UNRWA provided an update on the Agency's grave financial situation and the situation in the UNRWA fields of operation. The Working Group met at the expert level on 14 and 26 July and 9 and 16 August and adopted the present report on 22 August, in the presence of the Permanent Representative of Turkey, the Director of the UNRWA Office in New York and the Deputy Director of the Middle East and West Asia Division.

# III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

6. Throughout its history and in the context of the unresolved plight of the Palestine refugee population and its growing needs in a chronically unstable region, UNRWA has been confronted with difficult financial circumstances, in particular persistent shortfalls in funding. These shortfalls have challenged the Agency's ability to fully implement its mandate to provide assistance and protection to registered Palestine refugees, who now number 5.2 million and account for more than 40 per cent of long-term refugees worldwide. As the United Nations body that the international community has entrusted with the primary responsibility to meet their essential needs, and in the light of the Agency's major contribution to the human development of Palestine refugees and its role as a versatile front-line responder in humanitarian emergencies, the Agency faces a cycle of financial crises that requires concerted action.

7. The Agency has made a long-term commitment to its own sustainability through efficient and effective service provisions in its core programmes and humanitarian work. It has recently taken a series of robust measures to achieve even

greater efficiency and impact. In addition, it has rolled out its second resource mobilization strategy, for the period 2016-2018, to frame its engagement with donors and partners. The Working Group underlines that the financial sustainability of UNRWA is a goal that has yet to be secured and must be pursued with renewed energy, amid recent financial crises that have surpassed those of previous years.

8. Recurrent budget deficits are a serious concern for the Agency's donors and hosts, but have, above all, shaken the trust of Palestine refugees in the Agency. The Agency's financial fragility is magnifying refugee concerns about the international community's ability to address their most basic needs in an unstable region. Amid these developments, Palestine refugees affected by conflict in the region have been on the move, joining other populations and seeking refuge in significant numbers in neighbouring countries and, to a lesser extent, in Europe. Their hopes for peace, safety and a meaningful future for themselves and their children have been jeopardized by conflicts and grinding poverty.

9. On 4 August 2015, the Secretary-General submitted to the General Assembly a special report of the Commissioner-General of UNRWA on the financial crisis afflicting the Agency (A/70/272). The report alerted the international community to the fact that the Agency's landmark education programme was at risk in autumn 2015, as a $101 million projected shortfall was threatening to delay the start of the school year for 500,000 UNRWA students unless the gap was bridged during the summer recess. UNRWA embarked on internal and external measures to address the crisis. Senior United Nations and government officials at the highest level became involved to help to bridge the financial gap and ensure access to education for UNRWA students.

10. By late August, some $80 million in additional funding, of which half was from Arab donors, had been pledged against the $101 million shortfall. Responding to the Agency's deficit, Kuwait, Saudi Arabia and the United Arab Emirates contributed a total of $54.8 million to UNRWA in 2015, far exceeding their previous contributions to the programme budget (formerly referred to as the General Fund). Generous contributions from a range of donors allowed UNRWA to maintain operations in 2015 without interruption, but have not altered the Agency's longer-term financial situation.

11. In the margins of the General Assembly's general debate held in September 2015, the Ministers for Foreign Affairs of Jordan and Sweden co-chaired the first meeting on the Agency's financial sustainability. The message was twofold: UNRWA should continue its reform efforts while maintaining the quality of its services; and Member States should endeavour to offer increased, predictable and sustained funding to the Agency.

12. Towards the end of 2015, UNRWA alerted the international community once again to another looming financial crisis in its projected core budget shortfall. Jordan and Sweden co-chaired another meeting at United Nations Headquarters in New York in May 2016 to highlight the importance of ensuring the sustainability of UNRWA.

13. These trends underscore the necessity of the Agency's programme and management reforms, the importance of broadening the donor base and the need to increase the support of Member States in order to place UNRWA on a stable financial footing. The Working Group notes that, as of August 2016, the Agency's financial shortfall in its programme budget stood at $96.5 million, representing

more than 14 per cent of the its cash budget of $668 million for 2016, or equivalent to approximately three months of education services provided to half a million Palestine refugee children.

14. The Agency has developed a medium-term strategy for the period 2016-2021 in consultation with host States and key donors, which will enable it to become even more cost-efficient and cost-effective while delivering high-quality core services to Palestine refugees. The strategy has been endorsed by the Agency's Advisory Commission. Several reforms envisaged in the strategy will improve even further the cost effectiveness of the Agency's programmes while also strengthening its core services. The Agency has made rapid progress with a number of reforms, which were either under implementation or well-advanced by mid-2016. At the same time, the Agency's leadership reports that it has risen to new heights in terms of its financial controls and regulation of all the Agency's budgets, which has contributed to a zero growth budget for 2016, for the first time in 10 years.

15. Contributions to the Agency's emergency appeals are low, particularly with respect to the emergency appeal for the occupied Palestinian territory, which was 36 per cent funded as at 18 August 2016. Financial support for the Agency's major reconstruction projects in Nahr el-Bared and the Gaza Strip has been slow to arrive, despite recent pledges and attempts to revitalize the two projects. The challenges in this respect remain enormous, and the refugees continue to suffer from the impact of extended displacement and acute vulnerability.

16. The Agency's reforms underscore, among other things, the commitment of its leadership to transparency and accountability, in line with the principles of the Grand Bargain on humanitarian financing announced at the World Humanitarian Summit, held in Istanbul in May 2016. The provisions of the Grand Bargain, which calls for an increase in predictable, multi-year and unearmarked funding, would help UNRWA to more efficiently implement its mandate and control or reduce key operating costs. The simplification of stakeholder reporting is also a priority for UNRWA, as it is for the broader United Nations system and Member States, and is addressed in the Grand Bargain.

17. The Agency's work on behalf of Palestine refugees also contributes directly to the broader global effort to achieve the Sustainable Development Goals by 2030. With half a million students enrolled, full gender balance in the Agency's 692 schools and one of the highest literacy rates in the Middle East, it is essential that Palestine refugee children have continuous, uninterrupted access to an inclusive and equitable quality education and that they benefit from lifelong learning opportunities, in accordance with Goal 4.

18. Since it began operations in 1950, UNRWA has been serving Palestine refugees in Gaza and the West Bank, Jordan, Lebanon and the Syrian Arab Republic, with the facilitation and support of host Governments and donors. Currently, its 30,000 staff members provide vital human development services and emergency assistance to the Palestine refugees registered with the Agency, who now number 5.2 million. Palestine refugees have remained among the most vulnerable in their communities and suffer from poverty, rising unemployment rates (especially among youth and women), discrimination in various forms and a general lack of full enjoyment of their human rights. This situation has been worsened as a result of repeated conflicts in the region, most recently in the Syrian Arab Republic since 2011 and in Gaza in 2008-2009, 2012 and 2014.

19. Since 2011, 30 UNRWA staff members have been killed as a result of conflict, and 25 staff remained missing, detained or kidnapped in the Syrian Arab Republic as of July 2016. Those tragic losses are included in the large number of Palestine refugees killed or wounded during the repeated conflicts in the region. Threats and attacks against UNRWA personnel remain a major concern. In order to continue to provide services to Palestine refugees in situations of conflict, UNRWA has been flexible and adapted to the reality on the ground, in particular in its delivery of education in emergencies in the Syrian Arab Republic. The Agency's innovative work in regard to education in emergencies was showcased at the World Humanitarian Summit.

20. The Working Group acknowledges that, in a turbulent region such as the Middle East and in the context of the recent mass refugee movements in the region, UNRWA continues playing a key stabilizing role for the Palestine refugee community and the region. Access to its services, including educational services, influences the decisions of Palestine refugees to remain in situ instead of risking their lives in attempts to reach Europe and elsewhere. It is important to note that the cost of supporting a Palestine refugee through UNRWA is significantly lower than the cost of supporting a refugee in Europe. The importance of effectively maintaining the Agency's services is highly relevant in the context of the high-level plenary meeting of the General Assembly on addressing large movements of refugees and migrants, to be held on 19 September 2016 at United Nations Headquarters.

21. In Gaza, the living conditions of some 1.3 million registered Palestine refugees continue to deteriorate owing to the impact of repeated conflicts and the downward economic spiral experienced since 2000. The operation of the Gaza Reconstruction Mechanism, which was established after the military escalation of July and August 2014 to facilitate the entry of construction material into the Strip in quantities sufficient to ensure that reconstruction needs were met, continues to meet challenges. The closure of Gaza, now entering its tenth year, has had a ruinous effect on the economy. Unemployment rates hover around 40 per cent, reaching up to 60 per cent for young people, and are among the highest in the world, contributing to the extreme dependence of an estimated 80 per cent of the population on international assistance. In 2016, UNRWA alone will provide food assistance to 930,000 Palestine refugees, or half of the total population of Gaza. The Working Group underlines that the closure and access restrictions imposed by the Government of Israel continue to seriously limit the movement of people, goods and services and to increase the financial costs of UNRWA in providing effective humanitarian aid to refugees. The situation has not only hampered economic development, but also contributed directly to high rates of unemployment and food insecurity for refugees. The Working Group is concerned about the extra staffing, transit and logistical costs incurred by the Agency as a result of Israeli closures and security procedures relating to the access and monitoring of all Agency imports into Gaza. Such costs exceeded $8.6 million in 2015. The Working Group stresses that progress is needed to address the overall economic and humanitarian situation in Gaza and underscores the importance of the full implementation of Security Council resolutions 1850 (2008) and 1860 (2009).

22. The Israeli occupation continues to constrain life for the Palestine refugee community, currently numbering some 800,000 persons registered with the Agency's field of operation in the West Bank. Since October 2015, the West Bank has, witnessed a considerable increase in violence, including clashes around refugee

camps and the killings of Palestine refugees, Israeli civilians and Israeli security forces. Demolitions, the displacement of families and settler violence, especially in Area C, have severely affected Palestine refugees. In 2015, 550 demolitions of Palestinian-owned structures without building permits were carried out by the Israeli authorities, displacing 807 people, including 287 Palestine refugees, compared with the 411 refugees so affected in 2014. From the beginning of 2016 to 15 August 2016, the Israeli authorities demolished 762 Palestinian structures. This has displaced at least 1,162 Palestinian men, women and children, including Bedouins. Settlement expansion plans, including for areas of East Jerusalem, have caused great concern for the Palestine refugee community. Israel continued to advance plans for the transfer of some 50 Bedouin communities, populated by a Palestine refugee majority. Movement restrictions imposed by the Government of Israel have had a debilitating effect on the economy of the West Bank. In 2015, the total amount of value-added tax due to the Agency from the Palestinian Authority's Ministry of Finance with respect to services and goods procured for the West Bank and Gaza stood at $90.9 million, slightly below the previous year's all-time high of $96.8 million.

23. In the Syrian Arab Republic, the conflict continues to take a dramatic toll on Palestine refugees, with more than 60 per cent of the estimated 450,000 Palestine refugees remaining in the Syrian Arab Republic having been displaced. Yarmouk has seen some of the most intense fighting between the Syrian regime, opposition groups and designated terrorist groups such as the Nusrah Front and Da'esh. What used to be the economic centre of the Palestine refugee community is now in ruins. It is estimated that only approximately 10,000 Palestine refugees remain in the camp, with the remaining population displaced elsewhere in the Syrian Arab Republic, mainly Damascus. In Khan Eshieh camp, in southern rural Damascus, intense fighting between parties to the conflict involving the indiscriminate use of heavy weapons and airborne munitions continues to endanger the lives of Palestine refugees and to damage and destroy civilian homes. Approximately 60,000 Palestine refugees from the Syrian Arab Republic have fled to Lebanon and Jordan, while others have sought to flee to Europe, often with disastrous consequences. Overall, 95 per cent of Palestine refugees in the Syrian Arab Republic are reliant on UNRWA for assistance. The wider destabilization of the region resulting from the conflict in the Syrian Arab Republic continues to pose major socioeconomic and security concerns for Jordan and Lebanon, who host large numbers of refugees from the Syrian Arab Republic in addition to existing resident populations of Palestine refugees. UNRWA has issued a series of emergency appeals to support the emergency needs of the Palestine refugee population in Jordan, Lebanon and the Syrian Arab Republic.

24. In Lebanon, where UNRWA has registered more than 450,000 Palestine refugees (excluding those who arrive from the Syrian Arab Republic), living conditions have been exceptionally difficult since 1948. The refugees continue to be barred from participating in approximately 40 syndicated professions and face a number of other restrictions, such as a prohibition on owning or inheriting fixed property. Access to government services is restricted. The influx of Palestine refugees from the Syrian Arab Republic has aggravated the dependency situation of the community, which is already suffering from widespread poverty. In this context, the Agency's services are seen as a lifeline for the refugees.

25. In Jordan, which is host to more than 2 million Palestine refugees, living standards are more favourable to that community, despite the fact that many

continue to face hardship and increasing poverty. The rising number of refugees from the Syrian Arab Republic, including some Palestine refugees, creates difficulties for both the host Government and those seeking assistance.

26. Member States contribute to UNRWA through three separate portals, namely, the programme budget, emergency appeals and the project budget.

27. The Agency's core operations are encapsulated in its programme budget, which finances its mandated programme of work, principally in the areas of education, health care and relief and social services. This budget lies at the heart of UNRWA and is the bedrock for all of its activities and programmes.

28. Emergency appeals are special calls on the international community to finance humanitarian needs that have arisen owing to conflicts or situations that have generated sharp declines in the living conditions of Palestine refugees. In early 2016, UNRWA issued two emergency appeals, for the occupied Palestinian territories and the Syrian Arab Republic respectively. The latter includes emergency activities in Jordan and Lebanon for those who have fled the conflict in the Syrian Arab Republic. Funding to UNRWA appeals provides lifesaving and other types of support to people who find themselves in situations of extreme vulnerability.

29. The Agency's project budget includes all other time-bound activities in support of Palestine refugees. Examples include the purchase of medical equipment, the institutional strengthening of UNRWA and the reconstruction of school buildings. One of the Agency's priority projects is the reconstruction of the Nahr el-Bared camp in Lebanon, which was destroyed in 2007, for which UNRWA still required $137 million as of June 2016. Another priority for UNRWA is the reconstruction plan for Gaza, estimated at $720 million, for which $257 million has been pledged thus far.

30. With the exception of 155 international staff positions funded through the regular budget of the United Nations, the Agency's programme budget is financed entirely by voluntary donor contributions.

31. In 2016, despite zero growth in its programme budget, the Agency's finances have remained under extreme pressure owing to a number of factors, as outlined above. UNRWA projects that the demand for services will continue to grow in the medium term, in tandem with a growing Palestine refugee population and against the backdrop of rising operational costs. By 2020, the Palestine refugee population is forecast to reach 6.4 million people.

32. Increasing pressure on the programme budget stems also, to some degree, from requirements from the United Nations system and donors for more due diligence, internal oversight, reporting and evidence-based programming. Further compounding the problem is a lack of working capital. While UNRWA had an average cash balance of approximately $80 million in 2010, it has had virtually no working capital since 2012. UNRWA has also temporarily suspended creditor payments at various times as a result of a shortage of cash, thereby reducing supplier confidence and exposing the Agency to increased legal and financial risks. Every year for the past six years, UNRWA has had to secure donor advances against the following year's donations, which has directly increased the shortfall in subsequent years. At the end of December 2015, the UNRWA programme budget cash balance was $1.8 million, with a monthly cash outflow of $52.5 million, comprising $39.9 million in staff costs and $12.6 million in non-staff costs. This means that UNRWA continues to lack working capital.

33. Locally recruited staff receive salaries considerably lower than those of national staff employed by other United Nations organizations, because, under the Agency's pay policy, local staff are paid against host Government wages in equivalent functions. The Agency's allowances are also lower than those in other United Nations organizations; for example, the Agency's local staff do not receive danger pay in conflict areas. The Agency's pay policy calls for salary surveys to be conducted every two years. In several of the Agency's fields of operation, surveys have not been completed for more than three years, a situation the Agency is addressing this year by conducting salary surveys in all five fields. It is fully expected that changes in host Government salaries will have a financial impact and increase the Agency's staffing costs.

34. The Agency expressed its concern to the Working Group regarding unfunded severance payments to staff, which had been audited at $697.4 million as at 31 December 2015 (an increase of $137.2 million compared with $560.2 million for 2014), given current costs and UNRWA staff regulations and rules.

35. The Working Group welcomes the release of the Agency's medium-term strategy for 2016-2021, which lays out a set of strategic outcomes designed to address the needs of Palestine refugees. Implemented primarily though the programme budget, the strategy is aimed at maximizing the use of its resources and the impact of the Agency's operations in serving refugees. It reaffirms the Agency's commitment to advocating and providing for human development and meeting the protection needs of Palestine refugees. The five outcomes relate to Palestine refugees' rights and protection, health, education, livelihoods and basic human needs.

36. Human rights are universal. The primary responsibility to protect human rights lies with States. For its part, UNRWA contributes to the protection of Palestine refugees when this responsibility is not fulfilled by other actors, both internally, by providing protection in and through its service delivery, and externally, by promoting greater respect for international law, including international humanitarian and human rights law. In accordance with its mandate from the General Assembly, the Agency places a particular emphasis on women, children and persons with disabilities, as well as other vulnerable groups.

37. UNRWA continues to enhance its protection response for Palestine refugees. For example, the Agency recently finalized a child protection framework and signed onto the Charter on Inclusion of Persons with Disabilities in Humanitarian Action, which was adopted at the World Humanitarian Summit in May 2016. Throughout 2016, the Agency will further its efforts to promote the protection of Palestine refugees with a new protection division at headquarters, established to bring about greater consistency and coherence in the Agency's protection activities.

38. UNRWA provides quality and universally accessible primary health care to Palestine refugees. Annually, UNRWA undertakes 9.5 million medical visits in its 143 primary care facilities, which employ more than 3,300 health-care staff. Owing to the increasing lifespans of Palestine refugees, communicable diseases and first-line curative care are no longer the most pressing health challenges; increasing attention is being paid to non-communicable diseases such as diabetes and heart disease, which are the leading cause of death among Palestine refugees and are more difficult and costly to manage and treat.

39. The Agency has implemented a family health team model, which has modernized the way it delivers health care. The model has been rolled out in Gaza, the West Bank, Jordan and Lebanon and will be expanded to the Syrian Arab Republic shortly. This programme seeks to create a health system that is person-centred and reduces operating burdens for medical staff. Additionally, a mechanism to digitize the Agency's clinic system, e-health, is being integrated as a new health systems management tool.

40. The Agency's general education and vocational technical training programmes equip refugees with skills and knowledge that enable them to participate in labour markets or other means to achieve self-reliance and contribute to social and economic development. The Agency provides free primary and preparatory education lasting 9 years across its five fields of operation (with the exception of Jordan, in which it provides 10 years of such education), as well as secondary schooling in Lebanon. The education schemes reach nearly half a million Palestine refugee children through some 692 schools, a number that is increasing on a yearly basis. This is due largely to population growth in Gaza, where the student caseload increases by 8,000 pupils every year.

41. UNRWA has been a pioneer in developing education in emergency programmes, which ensure access to quality education for Palestine refugees living in conflict situations. This has allowed students living in conflict situations to receive psychological support and has ensured their social integration and, most important, the continuation of normal schooling. The programme links emergency and development approaches by addressing the immediate needs of children and facilitating a longer-term durable education system run by the Agency.

42. By promoting and advocating equal access to education, UNRWA has achieved gender equality in its schools. Additionally, UNRWA delivers human rights education in its schools to promote the values of peaceful conflict resolution, respect for human rights and tolerance. The education programme of UNRWA accounts for nearly 54 per cent of its programme budget. It is estimated that the annual cost per pupil is 14 per cent of that spent on pupils in States members of the Organization for Economic Cooperation and Development.

43. Universal literacy among the Palestine refugees is one of the Agency's major achievements. Independent assessments continually place the Agency's education programme high on the scales of quality and efficiency, including in a recent World Bank study, which found that pupils in UNRWA schools outperform the pupils in national school systems in its fields of operation by a year.

44. Health, education and employment are essential to enhancing the livelihoods of Palestine refugees. UNRWA supports employment through guidance counselling, labour-market studies and awareness programmes that promote education after school. The Agency operates its technical and vocational education and training programme in nine vocational training centres in five fields of operation (Jordan, the West Bank, Gaza, Lebanon and the Syrian Arab Republic). Between 2010 and 2014, approximately 20,000 students graduated from the centres, which help to reduce poverty within the Palestine refugee community. Reduced employment opportunities have been a major factor contributing to increased poverty and loss of dignity for Palestine refugees. Without proper funding, the Agency will see an increase in poverty and the number of unserved poor.

45. UNRWA also offers microfinance services through two separate channels: the microfinance programme and the microcredit community support programme. Those initiatives seek to ensure that Palestine refugees, including women and those in abject poverty, have access to microcredit and complementary financial services. They offer Palestine refugees access to funding to sustain strong and self-sufficient livelihoods.

46. UNRWA seeks to address both material needs, such as food, shelter and environmental health, and the broader set of human needs associated with human development. The mitigation of poverty and concomitant improvements in human development are difficult to achieve if there is a high prevalence of persons and families who cannot meet their basic needs of nutrition, shelter and environmental health. UNRWA promotes a decent standard of living through various programmes such as cash and food assistance, microfinance services and job creation. The social safety net programme was designed in 2013 to address the food insecurity of refugees living in poverty and abject poverty through food and cash assistance.

47. Reacting to the Agency's financial crisis in 2015, the Commissioner-General issued a special report (A/70/272) explaining the dire situation in which the Agency found itself. He also underlined that a suspension of the education programme would hamper children's enjoyment of their right to education and expose vulnerable children and young people to additional risk that could contribute to instability in the Palestine refugee community at a time of great turbulence in the Middle East. Thanks to generous donors, UNRWA was able to fill its financial gap. In this context, UNRWA committed to continuing to implement significant measures to achieve financial sustainability for the Agency.

48. In 2015, UNRWA also increased the potential ceiling for the maximum number of children per UNRWA classroom to 50. The Agency reduced substantially the number of international personnel on non-staff contracts funded by the Agency and imposed a hiring freeze for all jobs not critical to the delivery of core services. Stringent cost controls have been put in place and are reinforced by management measures to mitigate the budgetary impact on cost drivers. The combination of these management measures have generated savings of $15 million in 2015 and $18 million in 2016 and include an elective workforce reduction initiative through early retirement and a voluntary separation package.

49. In tandem with these measures, the Agency has put in place stringent financial and budgetary controls. Hedging donor funds has generated a $16 million income gain in 2016 and presents a new approach to financial management, including risk management. In addition, UNRWA has achieved savings of $16 million in its area staff pension fund through improved tracking of market movements, at a time when funds managed by other institutions have suffered losses. The Agency has also managed to save $300,000 annually by successfully renegotiating investment transaction fees.

50. In addition, the Agency has embarked on several programmatic reforms that will improve the quality of or access to its services for the most vulnerable and marginalized refugees. Although the motivation for those reforms is not purely financial, they will provide a more cost-effective response.

51. One of the Agency's key reforms, in line with the World Humanitarian Summit, was to move from "food to cash", which the Agency has done in 2016 in

Jordan, Lebanon and the West Bank. E-cards are being distributed for some 160,000 eligible refugees as part of the new social safety net programme supporting the poorest Palestine refugees in those areas. The Working Group supports this shift in policy, which empowers refugees by enabling them to make their own choices and injects resources into local communities. The Group also notes the reduction in logistical and support costs resulting from this reform. UNRWA appreciates the support of host Governments for the new system and hopes it will help to mobilize more resources and reach a larger number of food-insecure refugees. The Agency also allotted approximately 50 per cent of its total humanitarian expenditure towards cash-based programming in 2015 and plans to expand the use of cash in its emergency response in the future.

52. Moreover, amendments to the Agency's hospitalization policy were implemented, which will help to streamline the Agency's approaches in its fields of operation and improve sustainability while ensuring that access for the most vulnerable is preserved. The tensions those amendments generated in early 2016 in Lebanon, which has recently absorbed in excess of 50 per cent of the Agency's entire hospitalization budget, have been overcome through intensive consultations with partners on the ground.

53. Other programmatic reforms undertaken by the Agency include the adjustment of its pioneering technical and vocational training programme to increase livelihood and job opportunities for students and graduates and the digitization of its health programme to reduce the burden on medical staff Agency-wide. UNRWA is also exploring a partnership with a lead medical institution in Jerusalem to cooperate in the delivery of secondary care in the Agency's Qalqilia hospital and expanding into critical areas such as cancer treatment, enabling UNRWA to focus on its core primary health-care work.

54. UNRWA is also proceeding with the internal transformation of its microfinance programme, which will expand credit outreach without raising running costs while upholding high standards of oversight, transparency and accountability.

55. The Working Group compliments UNRWA on its achievements in providing effective emergency assistance to Palestine refugees affected by conflict in the Middle East. Since the outbreak of the second intifada in 2000, UNRWA has provided emergency assistance to Gaza and the West Bank, funded through the emergency appeal for the occupied Palestinian territories. In Lebanon, Jordan and the Syrian Arab Republic, UNRWA has provided emergency assistance since June 2012 as part of the Syria Humanitarian Assistance Response Plan and the Syria Regional Response Plan, funded through the emergency appeal for the Syrian Arab Republic. The emergency appeals cover nine critical sectors: food assistance; cash assistance; job creation; community mental health; education; health; temporary shelter and shelter repair; water and sanitation; and protection.

56. For 2016, $403 million is required to cover the cost of interventions for the emergency appeal for the occupied Palestinian territories and $414 million for the emergency appeal for the Syrian Arab Republic — amounts similar to the budgetary requirements in 2015. In 2015, shelter ($127 million), food assistance ($129 million) and emergency cash-for-work ($84 million) represented the largest needs in Gaza and the West Bank, whereas cash assistance ($249 million) represented nearly 60 per cent of the budget for Palestine refugees under the Syrian appeal.

57. While the generosity of donors must be recognized, UNRWA was able to meet only less than half of the identified emergency needs in 2015. As at 18 August 2016, the emergency appeal for the occupied Palestinian territories was facing a shortfall of $259 million (with $144 million pledged, or 36 per cent of the requested amount), and the Syrian emergency appeal was also facing a significant shortfall, of $253 million (which means it was 39 per cent funded). The lack of funding has led UNRWA to scale back the amount and frequency of cash assistance distributed to Palestine refugees in the Syrian Arab Republic and housing assistance for Palestine refugees from that country who have been displaced to Lebanon and Jordan. The required total for cash assistance for the Syrian emergency appeal amounts to $254 million, of which only $54.6 million has been pledged.

58. Since 2001, UNRWA has witnessed an increase in the need for emergency aid to Palestine refugees in the occupied Palestinian territories. Repeated cycles of conflict in Gaza and a deteriorating situation in the West Bank have contributed to a general increase in the needs of Palestine refugees. The situation has also resulted in an increase in the Agency's emergency delivery of basic humanitarian services, livelihood support and sustainable income-generation activities. In 2015, Palestine refugees across the occupied Palestinian territories faced continued Israeli occupation, the expansion of settlements, repeated human rights abuses and recurring escalations of violence and hostilities.

59. Ongoing restrictions by the Government of Israel on movement within and access to the West Bank by Palestinians, including those in East Jerusalem, continue, together with the demolition of Palestinian structures, with significant repercussions on Palestinian economic development. Many Palestinians in the West Bank, including Palestine refugees, remain at risk of displacement and dispossession and contend with high levels of insecurity due to the Israeli occupation. Almost one in four Palestine refugees in the West Bank are food-insecure, and approximately 200,000 are in need of assistance to meet basic food needs. UNRWA has therefore developed strategic objectives within the emergency appeal to address this alarming situation, focusing on the following: increased economic access to food for food-insecure households and those facing acute shocks; crisis-affected refugees' enjoyment of their basic rights to services; the protection of Palestine refugees from the effects of conflict and violence; and the effective management and coordination of emergency responses. In the West Bank, UNRWA will now prioritize livelihood support, sustainable income-generation activities and the delivery of key humanitarian activities, particularly in communities at risk of displacement, in Area C, East Jerusalem and the seam zone.

60. The emergency appeal for the Syrian Arab Republic is based on three major strategic priorities aimed at implementing change and providing services for the 450,000 Palestine refugees who remain in the Syrian Arab Republic and are particularly affected by the violence and conflict raging throughout the country, as well as the 60,000 Palestine refugees who have fled to Jordan and Lebanon. Those priorities are: (a) preserving the resilience of vulnerable families through the provision of humanitarian assistance; (b) providing a protective framework for Palestine refugees and helping to mitigate their vulnerability; and (c) strengthening humanitarian capacity, coordination and management. UNRWA has been innovative in its efforts to adapt existing development programmes to the new realities created by the conflict. It has been able to continue its education programme for Palestine refugees during the crisis. Owing to the instability in the country, of the pre-conflict

total of 118 UNRWA schools, 34 have been fully or partially damaged, and, as of April 2016, only 44 were open. However, 12 UNRWA schools operate as collective centres for more than 2,500 internally displaced persons, and the Agency is temporarily using 55 government school buildings in afternoon shifts to continue to deliver education services to Palestine refugee children, which is essential, given the potential risk of a five-year suspension of educational services for some of the children. As of April 2016, UNRWA was able to run 99 schools in total in the Syrian Arab Republic, which were attended by more than 45,000 students.

61. UNRWA has also introduced a large-scale cash assistance programme — one of the largest in any conflict setting in the world — and is currently reaching approximately 430,000 refugees during each distribution cycle. Each cycle requires approximately 8 weeks to reach the complete caseload. UNRWA has been able to distribute only three times in total for 2014 and 2015 owing to funding shortages.

62. The funding for the Agency's emergency assistance in the Syrian Arab Republic is important for the estimated 450,000 refugees remaining in the country, some 280,000 of whom are internally displaced and in need of humanitarian assistance. The funding is necessary for a wide range of humanitarian assistance, including health services, infrastructure and camp improvement, protection, safety and security, education services and general support. In 2016 alone, 95 per cent of the Palestine refugees in the Syrian Arab Republic are in need of sustained humanitarian assistance. Unfortunately, a general lack of funding and increasing donor fatigue have endangered some of the Agency's most important emergency programmes. In 2016, a total amount of $58 million will be required for food assistance in the Syrian Arab Republic, and a total of $200 million will be required for cash assistance (for essential needs, including food, shelter and non-food items). With regard to the aid given to Lebanon and Jordan for the 60,000 Palestine refugees from the Syrian Arab Republic, $52.8 million will be required for cash assistance, representing 60 per cent (Lebanon) and 84 per cent (Jordan) of the total needs in each country.

63. The Working Group recognizes that projects are an integral aspect of the work of UNRWA. The project budget seeks to provide the necessary technical assistance and meet the infrastructure requirements for the overall operations of UNRWA. It includes all funding not captured in the programme budget and the emergency appeals.

64. The principal aim of the project budget is to upgrade the capacity of the Agency to achieve its main objectives and deliver services more effectively. Its priorities include the expansion and upgrading of education and health infrastructure, methods to maximize economic potential and employment opportunities, camp infrastructure development, enhancements to system managements, adherence to host authorities' standards and the provision of necessary support for vulnerable groups.

65. The project budget has traditionally focused mainly on the construction and upgrading of UNRWA facilities in order to meet the needs of the growing Palestine refugee population, prevent the deterioration of ageing installations and ensure the delivery of high-quality services to Palestine refugees. Project funding is also required to deliver on reform initiatives under the medium-term strategy, which are designed to improve the quality, efficiency and effectiveness of the Agency's services. The 58 official Palestine refugee camps have been transformed from "tent

cities" into congested masses of multistorey buildings defined by poverty and extreme overcrowding. When fully funded, the project budget seeks to contribute, inter alia, to better living conditions.

66. The funding allocated for the project budget in 2015 was $210 million. As for the 2016 project budget, of the total requirements of $695 million, $147 million had been pledged by donors as of August 2016.

67. UNRWA brought to the Working Group's attention the specific situation of two of the Agency's major projects, owing to their scale and ongoing funding crises, which continue to affect thousands of Palestine refugees long after their displacement.

68. One of the Agency's priority projects is the reconstruction of Nahr el-Bared camp, which was destroyed in the fighting in Lebanon in 2007 and left 27,000 people displaced. The total amount needed for the reconstruction of the camp is $345 million. As of June 2016, firm pledges totalled $208 million. The balance of $137 million, or 40 per cent of the total amount required, must be raised urgently to complete the remaining work. More than 12,000 people remain displaced. A failure to complete this project, one of the Agency's largest to date, would be a major blow to the stability of the Tripoli area in northern Lebanon.

69. Beginning in 2013, as a result of the anticipated shortfalls in available funding, UNRWA implemented a series of measures to reduce the costs associated with relief assistance for Nahr el-Bared camp. This was achieved through the introduction of new vulnerability-based eligibility criteria and a targeted approach to the provision of relief support services to displaced residents of Nahr el-Bared. The measures went into effect on 1 September 2013 and have been carried forward. They include the completion of the process of harmonizing health coverage for displaced camp residents, in line with the provision of health-care services for all other Palestine refugees in Lebanon in 2015. The Nahr el-Bared relief services budget was reduced from $18.8 million in 2010 to $8.7 million in 2014 owing to cost-cutting measures taken in response to the shortfalls in funding. The estimated budget for 2015 was further reduced to $5.3 million.

70. As a result of the collapse of funding following the 2015 Nahr el-Bared relief appeal, which received just over $2 million from two donors, rental cash subsidies were prioritized in the early part of the year and other activities suspended, as described in the appeal. In the latter part of the year, a decision was made to scale back the level of rental cash subsidies paid in the third quarter from $450 to $300 per family and to suspend payments indefinitely starting in the fourth quarter. UNRWA continues to be concerned about the humanitarian needs of the remaining displaced residents of Nahr el-Bared. In particular, more than 600 Palestine refugee families reside in deplorable environmental health conditions and temporary shelters located in areas adjacent to the camp. While the Agency tries to maintain those shelters as best it can with the minimal programme budget funds available, additional support is required to ensure that these families can live in dignity while they await more sustainable housing.

71. Following the intense conflict of 2014 in Gaza and previous cycles of violence, UNRWA contributed to the rebuilding of demolished homes, livelihoods and infrastructure in an effort to provide protection and services for the Palestine refugees affected by the violence. During the conflict, 118 UNRWA installations

were damaged, including 83 schools and 10 health centres. More than 12,600 housing units were completely destroyed, and almost 6,500 sustained severe damage; of these, 9,117 shelters belonging to Palestine refugees were completely destroyed and 5,417 were severely damaged. A total of 130,000 additional housing units sustained various degrees of damage but remained inhabitable. The conflict led to a displacement crisis in Gaza, with 500,000 persons displaced at its peak. Thousands remain displaced.

72. As of June 2016, $247 million had been pledged in support of the Agency's reconstruction programme, for which an estimated $720 million was required. This left a shortfall of $473 million. Although the Agency remains committed to completing its reconstruction efforts, it urgently needs new funding to continue its work in this area. The Working Group regrets that important sums pledged at the Cairo conference in October 2014 — $3.5 billion in total — have still not been disbursed by donors.

73. While the Working Group commends UNRWA for its successful internal measures to reduce costs, putting the Agency in the best position to serve refugees efficiently and effectively, those measures alone cannot bridge the shortfall UNRWA is facing. Conversely, the Agency's donors must ensure continuity and predictability in their financial contributions to the Agency. Multi-year funding and reduced earmarking, as foreseen in the Grand Bargain on humanitarian financing, would also facilitate the Agency's financial management. What is required overall is that core donors at a minimum maintain — and, if feasible, increase — their contributions; partnerships with former donors be restored; and further efforts be made to reach out to emerging and regional partners as potential pillars of the Agency's core services to Palestine refugees.

74. UNRWA itself has developed a new resource mobilization strategy in 2016 in order to deliver on its mandate to assist and protect Palestine refugees in all five fields of operation for the next three years, from 2016 to 2018. It outlines five goals: providing the requisite funding through more effective and efficient resource mobilization; strengthening traditional donor partnerships; diversifying the donor base, which increasingly contributes to resource needs; enabling environments to establish improved donor relationship management; and securing the safety of working capital and staff. The resource mobilization strategy complements the medium-term strategy and addresses the manner in which the Agency can best obtain the resources necessary to ensure those outcomes by maintaining — or increasing, where possible — contributions from core donors. The strategy puts forth internal measures aimed at increasing clarification for Member States and other donors as to the allocation of the funds that they provide for the Agency.

75. Noting the important progress made by UNRWA in diversifying its donor base (income from non-traditional donors amounted to $18.8 million in 2015), the Working Group supports the Agency's efforts to develop new partnerships with international institutions, such as the World Bank, and the private sector. Hosts, donors and the wider international community have key roles to play in maintaining, strengthening and harmonizing the Agency's goals in its five fields of operation. UNRWA will also continue to be active in obtaining support from its international donor base through programmes such as the Junior Professional Officer programme, which currently provides 21 Junior Professional Officer positions for the Agency, both at headquarters and in field offices. The Working Group requests current and

future donors to explore and develop further non-traditional methods of supporting UNRWA.

76. States hosting Palestine refugees also have a major role to play in supporting the Agency's operations and outreach activities. The Working Group welcomes the valuable support of the Secretary-General, both with Member States and in pursuit of partnership opportunities. An expansion of the donor base would provide mutual benefits for the Agency and new donors. It would increase the Agency's access to influential networks while sharing expertise with new donors and increasing their visibility in the field.

## IV. Conclusions and recommendations

77. First, the Working Group would like to thank all Member States, donors and hosts who have been supporting the work of UNRWA since its establishment and who have contributed to the well-being of the vulnerable Palestine refugee community.

78. The Working Group reiterates that the humanitarian problems faced by Palestine refugees today must be addressed as a shared international responsibility pending a just and durable solution of the Palestine refugee question, in accordance with international law, including the relevant resolutions of the United Nations.

79. The Working Group expresses its serious concern about the large funding gap affecting the Agency's programme budget in 2016 and reiterates that it is, above all, the responsibility of the General Assembly and the international community to ensure that the Agency's services are maintained at an acceptable level, that the Agency can fulfil its mandate, in quantitative and qualitative terms, and that funding keeps pace with the requirements of the Agency to meet the growing needs of the refugee population. The Working Group is concerned about the possible destabilizing impact that the lack of funding for UNRWA may have on the region, as well as that of further unpopular austerity measures at a time when the Middle East is already facing crises of various intensities.

80. The Working Group welcomes the resource mobilization strategy for the period 2016-2018 and the medium-term strategy for 2016-2021 and would like to extend its support for the achievement of their goals and outcomes. It also welcomes the Agency's far-reaching reforms, as described in the present report, but acknowledges that the current reforms in themselves will not be sufficient to solve the problems relating to the Agency's deficit.

81. The Working Group expresses serious concern about the situation of Palestine refugees in the Syrian Arab Republic. The Working Group calls upon all parties to the conflict to ensure the sustained, regular and continuous provision of humanitarian supplies, notably food and medicine, to besieged and hard-to-reach areas, including Yarmouk and Khan Eshieh. It also appeals to all parties to the conflict to preserve the neutrality of the Palestine refugee community in the country. It condemns all forms of violence against that vulnerable community and encourages the international community to fund, to the greatest extent possible, the requirements laid out in the emergency appeal to support the Palestine refugees within the Syrian Arab Republic and those who have fled from that country to Lebanon and Jordan.

82. Similarly, the Working Group is extremely concerned about the suffering of Palestine refugees living in the occupied Palestinian territories, where continued restrictions on the movement of UNRWA staff and humanitarian goods, a general decline in socioeconomic conditions and repeated conflicts have heightened the community's distress. It calls upon the Government of Israel to grant the Agency free and unfettered access to the territories. The Working Group calls for the lifting of restrictions imposed on Gaza and the easing of access restrictions. The Working Group supports the further opening of Gaza crossings to allow for an unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, in line with Security Council resolutions 1850 (2008) and 1860 (2009). It urges all potential donors, whether traditional or non-traditional, to redouble their efforts to fully respond to the Agency's emergency appeal for the occupied Palestinian territories for 2016.

83. The Working Group commends the Commissioner-General and all of the Agency's staff for their tireless efforts to maintain the regular and emergency services of the Agency under very difficult operational circumstances. The Working Group deplores the deaths of 30 UNRWA staff since 2011 due to conflict-related violence and expresses its concern for the 25 UNRWA employees missing, detained or kidnapped in the Syrian Arab Republic.

84. The Working Group is also alarmed by the inadequate levels of funding for the reconstruction of Nahr el-Bared camp in Lebanon, the Agency's largest project to date, and for the reconstruction needs in Gaza that arose following the Gaza conflict of 2014. The Working Group calls upon all donors, including countries in the Middle East, to lend their full support to these two priority projects for the Agency and stresses that failure to do so could have serious consequences for the security of Palestine refugees and the stability of the region. It also calls on Member States to consider funding other important projects that the Agency prioritizes.

85. The Working Group encourages the General Assembly to keep the Agency's programme budget for the biennium 2018-2019 under review so as to ensure that the Agency is not further affected in its ability to deliver vital services to Palestine refugees. In this regard, the Working Group calls upon the Assembly to continue to support the strengthening of the Agency's management capacity, pursuant to the 2009 report of the Secretary-General on this issue (A/65/705). The Working Group reiterates its serious concern that, if adequate resources are not provided to the Agency, both the achievements from the comprehensive reforms and the capacity of UNRWA to fully implement its mandate will be in jeopardy. The Working Group expresses the hope that the international support for UNRWA embodied in the relevant resolutions adopted each year by the Assembly, in which the Assembly recognizes the importance of the work of the Agency, will be translated into increased financial support by a broader base of Member States and other donors in order to ensure the continuation of the work of the Agency on a sound financial basis.

86. The Working Group strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2016. The Working Group once again:

(a) Urges all Governments to increase their contributions to the Agency when possible, and to contribute to the Agency's three funding portals, as described in the present report, while taking into account the primary importance of fully funding its programme budget. Government contributions should keep pace with the

requirements of the Agency to meet the growing needs of the Palestine refugee population and take into account the effects of inflation and other factors driving the costs of providing services;

(b) Urges all Governments to provide unearmarked multi-year funding, make sustained and predictable contributions to UNRWA in line with the recommendations made at the World Humanitarian Summit and disburse their contributions early in the year when feasible. This type of support allows UNRWA to better plan its activities;

(c) Commends UNRWA for the measures it has taken to increase its efficiency while maintaining the quality of services for Palestine refugees, supports the continued implementation of those measures and stresses that they must be accompanied by strong financial support from Member States to sustain the Agency's efforts in this regard;

(d) Thanks the Governments that have traditionally shown generosity towards Palestine refugees and UNRWA, including major donors and Gulf Cooperation Council partners, and urges them to make all possible efforts to maintain — or increase, when possible — their funding to UNRWA;

(e) Encourages all Member States to positively consider the report of the Secretary-General (A/67/365) and all resolutions relating to the financing of UNRWA with a view to addressing recurring budget deficits and sufficiently supporting the Agency's vital work.